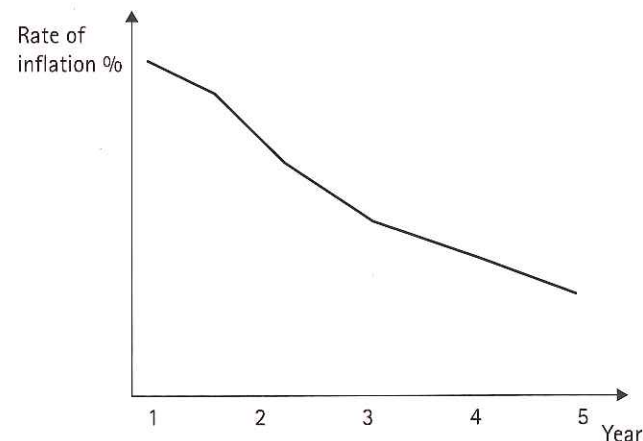


Assessment exercises

Multiple choice

- 1 The diagram shows the annual rate of inflation for a country over a five-year period.



Which statement is true of the period displayed?

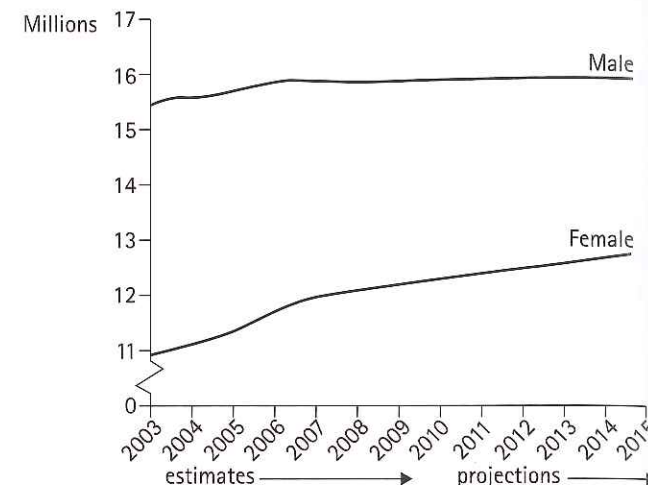
- A The cost of living was unchanged
B The price level increased
C The retail price index fell
D The value of money increased
- 2 The table shows some data about an economy.

	Year 1	Year 2
Rate of inflation	4%	6%
Personal incomes	+4%	+5%

What happened between Year 1 and Year 2?

- A Both prices and real incomes fell
B Both prices and real incomes rose
C Prices rose but real incomes fell
D Prices fell but real incomes rose
- 3 Many fishermen have become unemployed after new laws to conserve fish stocks in the North Sea were introduced.
- What type of unemployment is this?
- A Demand-deficient
B Frictional
C Seasonal
D Structural

- 4 The graph shows the labour force of a country from 2003–2015.



What may be concluded from the graph?

- A Between 2003 and 2015, the proportion of females in the labour force will have increased
B The labour force in 2015 will be around 16 million people
C More girls than boys are forecast to be born
D The total population of the country in 2010–2011 was approximately 28 million
- 5 Economic growth can be defined as:
- A A reduction in unemployment
B An increase in a country's population
C An increase in the productive capacity of an economy
D A reduction in inflation
- 6 During the recent recession, demand for many goods fell, resulting in many workers losing their jobs due to cutbacks in production by firms.
- What type of unemployment does this describe?
- A Cyclical
B Frictional
C Seasonal
D Structural
- 7 What is likely to lead to a decrease in structural unemployment?
- A Reducing the interest rate
B Increasing the rate of unemployment benefit
C Reducing the rate of income tax
D Increasing labour mobility

- 8 Changes in the standard of living of a country are best measured by changes in:
- A National income
B National income per head
C Real national income
D Real national income per head

- 9 Which of the following groups are most likely to benefit from an inflation?
- A Pensioners
B Borrowers
C Savers
D Consumers

- 10 From the following table what is the weighted price index for all items?

Item	Price index	Weight
Food	120	50
Housing	130	40
Services	110	10
All items = 100		

- A 360
B 123
C 120
D 100
- 11 Which of the following is least likely to contribute to economic growth?
- A An increase in technical progress
B An increase in training
C An increase in investment
D An increase in tax rates on profits
- 12 Which of the following provides the best measure of economic growth over time?
- A The change in national income
B The change in total expenditure
C The change in nominal GDP
D The change in real GDP per head
- 13 The wages of foreign workers living and working in France have been increasing rapidly and, as a result, French firms have been increasing their prices to maintain their profit margins. What type of inflation does this represent?
- A Imported inflation
B Cost-push inflation
C Demand-pull inflation
D Hyperinflation

- 14 What is most likely to cause demand-pull inflation?
- A An increase in saving
B An increase in consumer spending
C An increase in interest rates
D An increase in taxes

- 15 Labour force participation has risen in many countries. What is the most likely reason for this trend?
- A Unemployment has fallen
B More females have entered employment
C The working population has increased
D More people are retiring earlier

- 16 Which type of unemployment is most likely to occur when aggregate demand in an economy falls during an economic recession?
- A Seasonal
B Voluntary
C Structural
D Cyclical

- 17 Look at the labour market data below.

	Millions
Working population	30
People employed	18
People unemployed	6

What are the unemployment rate and the labour force participation rate?

	Unemployment rate %	Participation rate %
A	60	40
B	80	20
C	20	60
D	40	60

- 18 Which of the following best describes the economic cycle in an economy?
- A Successive booms and busts in consumer spending
B Recurrent cyclical changes in the rate of growth of real GDP around its trend growth rate
C Cyclical changes in price inflation
D Seasonal fluctuations in total national expenditure

Structured questions

1 Inflation in Namibia

Namibia's inflation rate in January 2001, measured as an annual percentage change in the Consumer Price Index (Retail Price Index), was estimated at 10.6%. Examples of some of the annual increases in prices of the major components that make up the weighted price index were household goods (4.2%), imported goods (10.6%), food (11.7%), housing, fuel and power (12.2%), transport and communications (13.8%).

Examples of increases in prices of some of the minor items in the index were tobacco (9%), recreation and entertainment (4.7%), medical care and health services (20%).

- a What is meant by inflation? [2]
- b The information above relates inflation to a weighted consumer price index. How do researchers calculate the rate of inflation? [7]
- c Study the information above and assess whether it might be a source of concern for the Namibian government. [6]

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- 2 Australia's unemployment rate fell to 5.5% in May 2004, the lowest for 23 years. At the same time total employment decreased to 9.6 million. Full-time jobs decreased by 42 600 but part-time employment rose by 1500. The shift from employment in agriculture and manufacturing to services has continued.

- a Calculate the change in total employment. (Show your working). [2]
- b Explain why the pattern of employment might change. [8]
- c The above extract says that the unemployment rate fell yet the numbers employed decreased. Explain how these statements can both be true at the same time. [3]
- d Discuss the economic consequences of unemployment. [7]

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- 3 a Describe what is meant by economic growth and explain how it might be measured. [5]
- b If there is economic growth, unemployment often declines. Identify **three** types of unemployment and explain their causes. [6]
- c Discuss how (i) consumers (ii) firms and (iii) the government might benefit if there is economic growth. [9]

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- 4 Investment spending is undertaken by both the private sector and the public sector.
 - a Use examples to distinguish between private sector and public sector investment spending. [4]
 - b Explain why investment spending is important for an economy. [6]
 - c What is the difference between a mixed economy and a market economy? [4]
 - d Explain how economic growth might change the relative importance of the primary, secondary and service sectors. [6]

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